

SUBJECT: Sales-tax payments

COMMITTEE: Ways and Means: committee substitute recommended

VOTE: 13 ayes--Schlueter, English, Turner, Berlanga,
Ceverha, Crockett, G. Hill, Jackson, Khoury, Kuempel,
Peveto, Shea, Stiles

0 nays

2 absent--Hanna, G. Thompson

SENATE VOTE: 30 ayes, 0 nays

WITNESSES: For--None

Against--Gerard Schorr and William Abington, Texas
Mid-Continent Oil and Gas Association; John Worley,
Gulf Oil (signed up but did not testify)

On--Jim Lynaugh and Wade Anderson, Comptroller's
office

DIGEST: CSSB 985 would amend sections of the Tax Code
concerning the limited sales, excise, and use
tax. The taxes are now paid quarterly--due on
the last day of the month after the end of the
quarter--or are paid monthly if the taxpayer owes
more than \$1,500 for a month. Under CSSB 985,
the taxes would be paid quarterly, due on the
20th day of the month after the end of the quarter,
if the taxpayer owed less than \$500 for a month
or \$1,500 for a quarter. The taxes would be paid
monthly, due on the 20th day, if the taxpayer owed
at least \$500 a month or at least \$1,500 a quarter,
unless the taxpayer prepaid the tax on a quarterly
basis.

CSSB 985 would lower the discount for prepaying
a reasonable estimate of the taxes from 2 percent
to 1.25 percent. It would define "reasonable
estimate" as the amount paid in the same period
of the previous year, or 90 percent of the tax
ultimately due. The penalty for prepaying less
than a reasonable estimate would be loss of the
prepayment discount.

CSSB 985 would repeal the provision allowing manufac-
turers to pay the tax only annually.

CSSB 985 would reduce the maximum security for
payment that the Comptroller may require from
a taxpayer from three times the quarterly liability
(up to \$50,000) to three times the monthly liability
(up to \$50,000).

SUPPORTERS
SAY:

This is one of the tax-acceleration bills that are necessary if the general appropriations act is to be certifiable by the Comptroller and a special session is to be avoided. The speed-up would mean \$175 million in general revenue that otherwise would not come in until 1986, and it would mean about \$27 million in additional interest over the biennium.

Small taxpayers would still be able to pay quarterly under this bill. Large taxpayers would pay monthly. Many do now, and the administrative problems are minimal. Also, it is only fair that manufacturers be required to pay their taxes when everybody else has to, instead of just once a year.

The discount for prepayment of taxes is provided as an incentive for early payment. Lowering the discount from 2 percent to 1.25 percent would still provide an incentive for early payment but would not cost the state as much money.

OPPONENTS
SAY:

This is just an attempt to raise state revenue without having to take the heat on a vote for a tax increase. Taxpayers across the state shouldn't have to adjust their bookkeeping and accounting practices just because the Legislature is too timid to cut spending or raise taxes.

If the Legislature insists on this approach, then it should just make the August 1985 payments due earlier in the month, to get the 1986 revenues counted in the 1984-85 biennium, and leave the tax-payment schedule as it is for all other times.

OTHER
OPPONENTS
SAY:

As originally introduced, this bill repealed the "Direct Pay Permit" in the Tax Code. This permit is available only to big businesses and allows them to delay tax payments--and in some instances to avoid payment of the local sales tax. This costs the state about \$25 million a year. It is nothing more than a government subsidy for big business, a subsidy that is not available to small businesses. Repeal of this provision should be put back in the bill.

NOTES:

The Texas Mid-Continent Oil and Gas Association opposed repeal of the direct-pay provision. The committee substitute does not repeal that provision.